

# **SMALL BUSINESS LOAN FUND CORPORATION**

## **MINUTES OF THE BOARD OF DIRECTORS**

**January 31, 2011**

### **PUBLIC SESSION**

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on January 31, 2011 at approximately 9:36 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty (Chair), Ms. Leslie Taito, Mr. Thomas Stocker, and Mr. Richard DeMerchant.

Mr. William Parsons arrived at 9:43 a.m.

The following Director(s) were absent: None.

Also present were: Sean W. Esten, Corporation Administrator, J. Michael Saul, Deputy Director of the RIEDC, Stacy Farrell, Corporation Staff, Steven Noack, Corporation Administrator, Earl F. Queenan, Jr., Corporation Administrator, Paul Harley, Moses & Afonso, Ltd. and Thomas V. Moses, Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

#### **1. Call to Order.**

Mr. Fogarty called the meeting to order at 9:36 a.m.

#### **2. Approval of the Minutes of the Meeting Held on December 16, 2010.**

The first item to come before the Board was approval of the Public Session Minutes and the Executive Session Minutes of the Board meeting held on December 16, 2010. Upon motion duly made by Mr. Stocker and seconded by Ms. Taito, the motion to approve the Public Session Minutes and the Executive Session Minutes of the meeting held on December 16, 2010 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Parsons.

**3. Maintain the Executive Minutes of December 16, 2010 Confidential.**

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on December 16, 2010. Upon motion duly made by Mr. Parsons and seconded by Ms. Taito, the motion to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on December 16, 2010 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. Parsons, Mr. Stocker, Ms. Taito and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

**4. Report of Cash Position as of December 31, 2010.**

Mr. Esten presented the report of Cash Position as of December 31, 2010. Mr. Stocker asked about the net lendable funds and Mr. Esten confirmed that the Corporation has approximately \$3,000,000 available for lending. Mr. Esten also provided an update regarding the status of Mill Creek Marine, Inc. and noted that the funding date expired January 26, 2011. Upon motion duly made by Mr. Stocker and seconded by Ms. Taito, a motion to extend the funding date for three months was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker, Mr. Parsons and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

**5. Report of Portfolio Activity, Delinquency Loans and Loan Forbearances as of December 31, 2010.**

Mr. Esten presented the report of Portfolio Activity, Loan Delinquency Report and Loan Forbearance Report as of November 30, 2010. Mr. Esten first provided an update regarding the core group listed in the report. Mr. Moses generally asked whether Mr. Esten had obtained forbearance agreements regarding certain loans. Mr. Esten noted that he would review the loans and obtain necessary forbearance agreements regarding applicable loans. Thereafter, a brief discussion was held amongst the Board regarding the status of certain loans. Mr. Saul recommended a one page report for the Board to review.

There were no other questions or discussions from the Board.

**6. Discussion on contents of future reports regarding declined loans and loan delinquencies.**

The Board next discussed the content of future reports regarding declined loans and loan delinquencies. Mr. Esten recommended that any such report include a risk rating system. Mr. Saul agreed with said suggestion. Mr. Esten next inquired as to whether these reports could be presented in executive session. Mr. Moses noted that the Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended does not provide an exception to present such materials in executive session. Mr. Esten noted that he was concerned about the Federal Privacy Act. Mr. Moses advised the Board that he would further review the Federal Privacy Act and report his findings to the Board during a future meeting.

Thereafter, Mr. Saul provided several suggestions for the reports and noted that he wants a consistent process including standard forms for letter of denial. In that regard, Ms. Farrell updated the Board regarding the status of proposed letters and forms to be used going forward.

There were no other questions or discussions from the Board.

**7. Other Business.**

The staff confirmed that there were no other matters to be discussed during this portion of the public meeting.

**8. Executive Session**

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Ms. Taito and seconded by Mr. Parsons, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker, Mr. Parsons and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

Public session concluded and executive session began at 10:03 a.m.

**9. Return to Public Session**

Upon a motion duly made by Mr. DeMerchant and seconded by Mr. Stocker, the motion to conclude executive session and return to public session was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker, Mr. Parsons and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

Executive session concluded and public session began at 10:55 a.m.

#### **10. Executive Session Vote Ratification**

Mr. Fogarty called for ratification of the votes adopted during executive session. Upon motion duly made by Mr. Stocker and seconded by Mr. Parsons, the following votes were ratified:

- (a) To reject the request for a \$125,000 loan by Kennedy Incorporated and Grey Lodge Holdings, Inc.;
- (b) To approve the restructure of the \$500,000 loan to Green Plastics Corporation upon the terms and conditions of the Corporation;
- (c) To approve a second advance to Healthy Babies, Happy Moms, Inc. regarding the \$110,000 loan upon the terms and conditions of the Corporation; and
- (d) To approve the modification of the loan approval to Schulz Boat Company upon the terms and conditions of the Corporation.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Parsons, Mr. Stocker and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Mr. Parsons and seconded by Mr. Taito, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker, Mr. Parsons and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

The meeting was adjourned at 10:56 a.m.

Following the motion to adjourn, Mr. Fogarty called for a motion to return to executive session. Upon a motion duly made by Mr. Parsons and seconded by Ms. Taito, public session concluded and executive session recommenced at 10:58 a.m.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker, Mr. Parsons and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

Following discussion in Executive Session, Mr. Fogarty called for a motion to adjourn. Upon a motion duly made by Mr. Stocker and seconded by Ms. Taito, executive session concluded and the meeting was adjourned at 11:31 a.m.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Taito, Mr. Stocker, and Mr. DeMerchant.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mr. Parsons left the meeting at 11:18 a.m.

Respectfully submitted,

/s/ Sean W. Esten  
Sean W. Esten, Administrator

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